

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

<MeetMDY1> **December 19, 2000**

The Capital Projects and Bond Oversight Committee met on Tuesday,<MeetMDY2> December 19, 2000, at<MeetTime> 1:00 PM, in<Room> Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members:<Members> Representative Jodie Haydon, Chair; Senator Robert Leeper, Vice Chairman; Senators Tom Buford and Bob Jackson; and Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests testifying before the Committee: Dr. Tom Comte and Ken Ramey, Northern Kentucky University Metropolitan Education and Training Services Program; Secretary Viola Miller, Cabinet for Families and Children; Bill Hintze, Governor's Office for Policy and Management; Secretary John McCarty, Deputy Secretary Kevin Flanery, Commissioner Armond Russ, and Jim Abbott, Finance and Administration Cabinet; General Larry Barker, Department of Military Affairs; Debby Milton, Kentucky Infrastructure Authority; and Tom Howard, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Kevin Mason, Lola Williamson Lyle, Lou Pierce, and Shawn Bowen.

Representative Marcotte made a motion to approve the minutes of the November 21, 2000 meeting as submitted. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Haydon said because of inclement weather, Senator Bob Jackson was joining the meeting via video conference from Murray State University and Senator Bob Leeper was joining the meeting via video conference from Paducah Community College.

Chairman Haydon recognized Finance and Administration Cabinet Secretary John McCarty. He said this was Secretary McCarty's last Committee meeting since he is leaving the Cabinet at the end of the month to return to the private sector.

Secretary McCarty said he appreciated working with the Committee members on a range of issues over the past five years. He said working for the Commonwealth has been a great experience for him. He thanked Mr. Bill Hintze for his advice and counsel and

then introduced Mr. Kevin Flanery, the current Finance Deputy Secretary, who will serve as the new Finance Secretary.

Mr. Flanery said he has learned a great deal from Secretary McCarty, and he looked forward to working with the Committee and with the legislature as a whole.

The Committee members individually thanked Secretary McCarty for his efforts on behalf of the Finance and Administration Cabinet.

Chairman Haydon called on Ms. Mary Lynn Collins, Capital Projects and Bond Oversight Committee Staff Administrator, to review various correspondence and information items included in members' folders.

Among the items she reviewed was follow-up correspondence from Commissioner Gordon Duke, Department of Financial Incentives, Cabinet for Economic Development, regarding Hancock County's insistence that all job commitments associated with an economic development bond pool grant for Willamette Industries be filled by residents of Hancock County. She said Commissioner Duke indicated that the Cabinet discourages placement of restrictive hiring practices by local jurisdictions on new jobs created through state economic development assistance.

Chairman Haydon said last month the Committee discussed a new lease for the Cabinet for Families and Children (CFC) in Johnson County (PR-4492). He explained that members questioned the large increase in costs for this lease expansion and delayed action on the project until additional information could be provided. He introduced the Secretary for the Cabinet for Families and Children, Viola Miller, and Mr. Jim Abbott, the Director for the Finance Cabinet's Division of Real Properties, to continue discussion of this lease.

Secretary Miller said human services delivery has changed nationwide; it now focuses on a more comprehensive view of families and goals for long-term self-sufficiency. This has made casework more intensive than in the past. Also, she said that as a result of the Adoption and Safe Families Act, the Cabinet has increased the number of staff working with children and foster families.

Secretary Miller said the Cabinet is making every effort to co-locate as many services for families as possible and eliminate duplication of efforts. Many of the current facilities are unacceptable for human services delivery. With the help of the Finance and Administration Cabinet, Secretary Miller said they are now providing improved facilities which address life safety issues and provide necessary privacy for their clients.

Mr. Jim Abbott said the pictures distributed to the Committee illustrate the overcrowded conditions under which CFC staff are working and the lack of client privacy

in the current Johnson County workplace. Mr. Abbott said one of the current structures is a converted residence that does not provide a professional atmosphere. He said they are striving to consolidate services into a professional setting, but that setting is by no means "plush". (The new proposed lease would be with Magoffin County Enterprises and would be for \$11.50 per sq. ft.)

Representative Damron asked what the source of money to pay for this lease is and which services will be unfunded since an appropriation to cover the large increase in rental costs was not included in the 2000-02 budget. Secretary Miller said no benefits or services will be reduced as a result of the proposed lease. She said for the last several years, the Cabinet has tried to conserve as much money as possible in its operating budget because they knew they needed better physical facilities. Also, the Cabinet has been effective in obtaining federal money.

In response to another question from Representative Damron, Secretary Miller said if the money is not spent on the Johnson County lease, it will be spent on other CFC leases since there are approximately 30 leased facilities that need to be upgraded.

Representative Damron said a lot of emphasis is being placed on the state having accreditation from the Council on Accreditation of Services for Families and Children, Inc. He asked why accreditation from this Council is so important and how the state will benefit. Secretary Miller said the primary benefit is accountability. The services being delivered will be measured externally, and the quality of those services compared to other states.

Representative Damron noted the current lease is not located in a floodplain, while the proposed new lease is. He said the Committee has talked about not leasing properties in floodplains. Mr. Abbott said the owner of the property will take action to elevate the first floor area above the floodplain.

Representative Damron asked why the Cabinet does not want to stay at its present location since the lessor offered to provide additional office space or expand the existing space at a lesser cost than the proposed new lessor, Magoffin County Enterprises. He asked what the justification is to pay more to move. Mr. Abbott responded that Mr. Coleman, the current lessor, offered two options - a rate of \$11.25 per sq. ft. to expand within the building where CFC is currently located, and a rate of \$11.75 per sq. ft. which included the current space and an addition (new construction) nearby. Mr. Abbott explained they thought these offers were inadequate because of past problems at this location. Also, he noted that both proposals submitted by Mr. Coleman included major renovation of the space currently occupied by CFC. This would mean a temporary relocation of staff.

In response to another question from Representative Damron concerning the 107 parking spaces that are part of the lease, Mr. Abbott said Magoffin County Enterprises secured most of the parking spaces in a parking lot owned by the City of Paintsville, and has made those parking accommodations part of the lease. He noted it is a normal practice for the lessor to procure needed parking.

Senator Buford made a motion to approve PR-4492. The motion was seconded by Representative Wayne and passed by voice vote with Representative Robert Damron voting no.

Mr. Abbott next discussed another CFC lease, PR-4465. CFC is consolidating the Department of Community Based Services, presently in two locations in Fayette County: (1) on the grounds of Eastern State Hospital (state-owned); and (2) in a leased facility (PR-2530) located on High Street in Lexington. Mr. Abbott said they are recommending consolidating these two offices by awarding a lease to Employment Solutions, owned by Mr. Perry Cohen. The five-year lease would be for 38,852 sq. ft. at \$11.90 sq. ft. including 200 reserved parking spaces. Mr. Abbott said they advertised for this lease, and received two best and final lease proposals. The other proposal was for \$18 per sq. ft.

Secretary Miller said the facility at Eastern State Hospital, with life safety issues, is unacceptable, and has been problematic for a number of years. Commissioner Russ added that the Department for Facilities Management has been working with the Cabinet for Health Services, the administrator of the property at Eastern State Hospital, on a variety of projects. He said it would cost more to bring the CFC-occupied building up to standards than it would cost to build a new facility. He added that in order to renovate the building, staff would need to be moved because of the presence of lead-based paint and asbestos.

Representative Wayne asked why the state is not considering building a new facility instead of leasing since the Cabinet needs long-term office space in Fayette County. Commissioner Russ said four years ago, the state contracted with a company to look at the state's need for office space. He said that study concluded the state should decrease its use of rental space in Frankfort and build more buildings. At the time, it was also suggested that the state should also build office space in the metropolitan areas of the state. Since that time, however, Commissioner Russ said the situation has become less clear due to a number of social service agencies deciding to decentralize in the metropolitan areas. As such, Commissioner Russ said he did not feel comfortable recommending construction of a large centralized office building in a major metropolitan area at this time.

Representative Wayne asked what the state's long-term plan is for the Eastern State Hospital facilities. Commissioner Russ said they are currently evaluating what to do with those facilities.

Representative Wayne said Eastern State Hospital appears to be an excellent place for a future state building. He said the property may be an opportunity to save state funds by building energy-efficient buildings at the site. He said this opportunity should be thoroughly studied.

In response to a question from Senator Buford, Mr. Abbott said proposed lease contract PR-4465 has a 30-day cancellation clause.

Senator Buford said there have been discussions concerning demolition of facilities at Eastern State and construction of a new hospital. He said it makes sense for this agency to move out now, and he made a motion to approve lease contract PR-4465. The motion was seconded by Representative Wayne and passed by voice vote. Representative Damron abstained from the vote, citing a potential conflict of interest because of a relationship with one of the lessors.

Chairman Haydon said the next item of old business was continued discussion of a proposed lease by Northern Kentucky University (NKU) for the Metropolitan Education and Training Services (METS) Program. He said there were a lot of questions regarding this lease at the Committee's November meeting. He introduced Mr. Kenneth Ramey, NKU Assistant Vice President for Business Affairs, and Dr. Tom Comte, NKU Associate Provost, to further discuss this lease.

Mr. Ramey referred to follow-up correspondence he had sent the Committee, and said he would be happy to answer any additional questions from members.

Representative Wayne asked how NKU plans to handle future lease procurements. Mr. Ramey said NKU received a General Fund appropriation of \$700,000 for an annual lease for the METS Program. He said the lease before the Committee is a temporary one, and NKU has contracted with a retired employee from the Division of Real Properties to assist NKU in obtaining a more permanent lease. He said this person will make sure NKU follows the same procedures the Division of Real Properties follows for state agency lease procurements.

Representative Wayne asked how the operating costs for the partnership will be shared. Mr. Ramey said he did not have the exact information as to what the other partners will pay but currently Delta Airlines and the Tri County Economic Development Corporation are financially supporting the program under a three-year commitment. He said it is anticipated that the METS Program will begin producing enough income to cover its own operating costs within four years.

Chairman Haydon asked Ms. Collins to discuss an agency-funded scope increase for the University of Kentucky (UK) Football Office Complex project. He said Mr. Dall Clark from the University could not attend today's meeting because of the weather.

Ms. Collins reported a \$375,000 agency-funded scope increase for the UK Football Office Complex. The complex was originally an unbudgeted project brought to the Committee in March, 1999 with a scope of \$2,500,000 (\$1,600,000 in private funds and \$900,000 in UK Athletics Association funds).

Senator Buford made a motion to approve the scope increase for the UK Football Office Complex. The motion was seconded by Representative Damron and passed by voice vote. The revised project scope is \$2,875,000.

Chairman Haydon introduced Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management, who presented reports submitted by the Finance and Administration Cabinet and the Council on Postsecondary Education (CPE).

Mr. Hintze first reported a modification to the 2000-2002 Agency Bond Pool for postsecondary education institutions. He explained that Kentucky State University, which received \$3,672,000 in Agency Bond Pool allocation for the renovation of Young Hall dormitory, has decided not to pursue the renovation this biennium. Consequently, the Young Hall allocation has been reallocated to three projects at three other universities.

Mr. Hintze then reported Secretary McCarty had concurred with the Council on Postsecondary Education's recommendation for allocation of the Equipment Replacement Pool, which postsecondary education institutions will receive to purchase instruction and research equipment.

Chairman Haydon said the allocation of the pools and amendments are to be reported to the Committee, but no further action is required.

Mr. Hintze and Commissioner Russ then discussed the monthly project report submitted by the Finance and Administration Cabinet. Mr. Hintze first reported an unbudgeted project for the Department of Military Affairs at the Kentucky Air National Guard Base in Louisville. This project includes design and construction of a Ready Building for the 41st Civil Support Team, Weapons of Mass Destruction program. Kentucky successfully competed to have one of the 27 civil support teams designated by the U.S. Department of Defense. Mr. Hintze said the project scope is \$1,327,000 and will be paid entirely with federal funds.

Representative Wayne asked what materials will be stored in the facility. General Larry Barker, Department of Military Affairs, said the building will be an armory for the Kentucky Air National Guard 41st Civil Support Team. The building will contain a

communications area, offices, training space, operation space, and a storage area for vehicles.

In response to another question from Representative Wayne, General Barker said the facility will be used to train the Kentucky National Guard to respond in the event of a terrorist attack or an attack by a group with weapons of mass destruction. No weapons will be stored in the building.

Senator Buford made a motion to approve the project for the Department of Military Affairs. The motion was seconded by Representative Wayne and passed by voice vote.

Lastly, Mr. Hintze reported a \$571,880 scope increase for the Blanton Forest Acquisition project in Harlan County. The scope increase is funded from the federal government and will be matched by the state with previously appropriated funds. He said the scope increase will be used to acquire the remainder of the old-growth forest as well as part of the buffer area.

Representative Wayne made a motion to approve the scope increase for the Blanton Forest Acquisition project. The motion was seconded by Senator Buford and passed by voice vote.

Chairman Haydon then introduced Ms. Debby Milton, Secretary for the Kentucky Infrastructure Authority (KIA), to present three new projects proposed for KIA assistance. She first discussed a proposed \$57,500 Fund A (Federally-Assisted Wastewater Revolving Loan Fund) loan for the City of Cloverport. The Fund A loan will be used for planning work and a survey for a sewer plant rehabilitation project.

Ms. Milton then discussed a Fund B1 (Infrastructure Revolving Grant Fund) grant in the amount of \$400,000 for the Lewis County Fiscal Court/City of Vanceburg. The Fund B1 grant will be used to fund various water and sewer projects.

Lastly, Ms. Milton reported a \$84,600 Fund E (Solid Waste Revolving Loan Program) loan for the City of Hardinsburg. The Fund E loan will be used to purchase a new garbage truck.

Senator Buford made a motion to approve the loans for the cities of Cloverport and Hardinsburg. The motion was seconded by Representative Wayne and passed by voice vote.

The Fund B1 grant for Lewis County did not require Committee approval since it was specifically authorized by the 2000 General Assembly.

Chairman Haydon then called on Mr. Tom Howard, Deputy Director of the Office of Financial Management, to present the agency's bond activity report. Mr. Howard first reported one new bond issue: Kentucky Economic Development Finance Authority (KEDFA) Health Care Facilities Revenue Bonds, Series 2000 (St. Luke Hospitals, Inc. project), \$28,000,000.

Representative Marcotte made a motion to approve the KEDFA bond issue for St. Luke Hospitals, Inc. The motion was seconded by Representative Wayne and passed by voice vote.

Next, Mr. Howard presented two follow-up reports for previously issued bonds: UK Consolidated Educational Buildings Revenue Bonds, Series Q, \$29,870,000; and Turnpike Authority of Kentucky Economic Development Road Revenue Bonds, Series 2000, \$179,825,000.

Chairman Haydon said no action is required for follow-up reports.

Chairman Haydon said there were three locally funded school bond issues submitted to the Committee for review this month: Adair County, Bullitt County, and the Kentucky Interlocal School Transportation Association (KISTA). He said all disclosure information has been filed, and no further action on these bond issues is required.

Chairman Haydon said also enclosed in members' folders was the updated monthly/weekly debt issuance calendar.

Chairman Haydon said the Committee's next meeting is scheduled for Tuesday, January 16, 2001, at the Kentucky Correctional Industries building located at 1041 Leestown Road in Frankfort, Kentucky.

With there being no further business, the meeting adjourned at 2:00 p.m.